

[Marx and the Present Recession](#)  
[The Question of Leadership](#)  
[Anarchists in Bad Health](#)

## Socialist Studies No.7

# Marx and the Present Recession

## Introduction

No problem in economics has occupied more of the time of the pundits than crises and their causes-and all quite fruitlessly. Most of them, misled by the sort of complaint shopkeepers make that “*there’s no money about*”, have swallowed the nonsense that crises take place because there are not enough people possessing the money to buy all the goods that have been produced. Actually the quantity of notes and coins in circulation in 1992 is several hundred millions of pounds more than it was before the recession began and thirty six times what it was in 1938.

Karl Marx had the right idea when he showed that from time to time capitalists who have come into possession of money by selling commodities and who could therefore immediately use the money to buy other commodities, decide not to.

*“...no one is forthwith bound to purchase, because he has just sold...If the split between the sale and the purchase becomes too pronounced (it) asserts itself by producing a crisis”* (CAPITAL VOL. 1 Page 128 in the Kerr Edition).

Capitalists act in this way because, periodically, capitalism operates to cause some industries to produce more than can be absorbed in their particular market at prices which will yield a profit to investors. They then cut production and stand workers off; with consequent depressing effect on other industries.

Not that it was a simple and speedy matter for Marx (and his colleague Engels) to arrive at an understanding of the problem. In their early days before they had completed their analysis of the capitalist system they put forward theories which they abandoned when they found that the theories did not fit the facts.

Engels, in 1844 in his *CONDITION OF THE WORKING CLASS IN ENGLAND* said that crises “*usually recur once in five years*” and “*the intensity of the crisis increases with each repetition*”.

Marx and Engels in 1848 in the *COMMUNIST MANIFESTO* said that crises: “*by their periodical return put on its trial, each time more threateningly the existence of the entire bourgeois society*”; and Marx in 1849, in *Wage-Labour and capital*, asserted that crises: “*became at once more frequent and more violent*”.

It must be obvious that if crises were happening every five years in the 1840’s and that in the following 150 years crises have become continually more frequent and more violent, capitalism would long ago have lapsed into “*permanent and chaotic depression*”. There are indeed some self-deceiving individuals who are hopefully waiting for it to happen now.

The conclusion Marx did eventually settle on was that crises happen about every ten years (see *CAPITAL VOL. 1* Page 699 in the Kerr edition), He had dropped the mistaken idea that they become ever more frequent and violent. He also stated in *THEORIES OF SURPLUS VALUE*: “*There are no permanent crises*”.

After the death of Marx, Engels, in 1886, briefly toyed with the theory that British Capitalism had lapsed into “permanent and chronic depression”. He had been baffled by the seemingly endless “great depression”. When recovery did come, as it always does, Engels dropped his mistaken theory and reverted to Marx’s ten year cycles.

Marx and Engels set themselves the task of discovering the economic laws of capitalism both in respect of recessions and other problems and then of presenting their findings to the workers, openly and in full. The Socialist Party of Great Britain at its formation took the same line and undertook to present “*the truth, the whole truth and nothing but the truth*” (SOCIALIST STANDARD 1904).

There were others, including those who claimed to be Marxists who took a different view. Thus Lenin, in his LEFT WING COMMUNISM: AN INFANTILE DISORDER, urged his fellow members of the communist parties to be prepared to use any means to get into trade unions and carry on their work in them – “*If need be – to resort to all sorts of devices, manoeuvres and illegal methods, to evasion and subterfuge*”.

Among the methods they used in Britain was falsifying trade union ballots.

In a different way the Clapham-based Socialist party also goes in for misrepresentation of the facts; against the evidence they maintain that the workers get worse and worse off (“*The poor get Poorer*”), and when workers succeed by their trade union organisation in getting some improvement in their conditions the Socialist Party is opposed to publishing the facts because, they say, that would be “*to paint capitalism in favourable colours*”.

(This is dealt with in detail in our SOCIALIST STUDIES No 4. in the article ARE THE RICH GETTING RICHER AND THE POOR POORER?)

The Clapham-based organisation, in August 1992 issued a document headed: “*The Socialist Party: Education Series, No 2: Marxian Theories of economic Crisis*”. In it they make the following statement:-

“*Britain has endured three particularly severe recessions: the great depression of the 1880’s, the slump of the 1930’s and the more recent recession of the 1980’s*”.

In the first three quarters of the 19th century the two relevant factors for comparing one crisis with others were the extent to which production fell (with its consequent creation of unemployment) and the fall in wages. Probably the most severe of all crises was that of 1847 when production fell by 33% and wages fell heavily. The 1847 crisis is ignored in the above-mentioned document.

But later on, with the spread of trade unions, it became normal for wages not to fall in depressions and indeed rise somewhat. That happened in the great depression of 1875-1895, in the 1930’s depression and that of the 1980’s.

Production fell by 16% in the 1930’s crisis which was quite severe. In the 1980’s it fell by only a moderate 95 and average real wages not only did not fall but went up in every year from 1979 right through the 1980’s by a total of 25%. It is hard to justify describing that recession as “*particularly severe*”.

In the great depression of 1875-1995 production fell by only 2% but there was an abnormally long period of stagnation.

The Socialist party’s document rejects Marx’s correct explanation of crises that they occur when capitalists could buy the commodities in the market, but choose not to do so. Instead it offers the “*overall shortage of purchasing power*” theory.

In a capitalist crisis there is an overproduction of commodities for market sale, so there will already be large stock-piles of commodities that one can buy.

The Socialist party’s anti-Marxist explanation of crises and recessions was set out in their journal THE SOCIALIST STANDARD (December 1990).

# Marx and the Present Depression

A century ago many people, including economists, were interested in Marx because of what he had written about crises and depressions. The economist, J. M. Keynes came along with his seductive promise of “*full employment*” and no more crises. Marx then ceased to be of interest. But it did not last. For about thirty years after the Second World War Keynesian doctrines appeared to be working but in the 1970’s when rising unemployment and rising inflation emerged side by side, the Keynesians were in trouble. They had preached that the cure for unemployment was to run budget deficits and the cure for inflation was budget surpluses, but how does a government run both at the same time? Many economists and politicians lost faith in Keynes but he still had devoted followers, among them THE TIMES. In a leading article *Spend for Recovery* (10th August 1992) it urged the government to borrow heavily and spend the money on such activities as building railways, repairing schools, etc. The policy was described as “*The Keynesian course*”.

Whether the government adopts that reversal of policy or not, the recession will take its course, just like all the score or so that has happened in the past 200 years.

So why do not Mr. Major and his Ministers see what Marx had to offer that would be different? The reason is a simple one. They would not find in Marx’s CAPITAL a method of curing and preventing capitalism’s crises. What they would find is Marx’s demonstration that crises and depressions are inherent in capitalism; they can only be got rid of by getting rid of capitalism and that is what politicians and voters do not want.

So Marx’s economic teachings will go on being ignored or misrepresented by professional economists who mostly won’t even trouble to read what Marx wrote. But it doesn’t end there. Unfortunately Marx, in his life-time and since, has also been misunderstood or misrepresented by people claiming to be Marxist. An example is the article “*Capitalism Moves into Recession*”, published in the December 1990 issue of the SOCIALIST STANDARD journal of the Socialist Party.

It dealt with the present recession which was already beginning when the article was written.

The article seeks to explain the onset of crises and recession as being due to “*overproduction*”, which it says was the result of “*weakened*” workers being unable to prevent the employers imposing on them new production techniques and intensified labour, with consequent great increase in output, increased exploitation and the rise of unemployment.

Here it is in their own words:

“*Think back to the early 1980’s. an increased intensity of labour and new technology were easily imposed on workers severely weakened by the high unemployment levels of the previous crises of 1980-82...There was a general frenzy of activity for people in work as the rate of exploitation increased*”.

The clear implication of that passage can only be that the “*severely weakened*” and more intensively exploited workers must have suffered wage reductions which would be in line with the Socialist Party’s belief that workers become steadily worse off.

In fact no reduction of wages took place. In every year from 1979 to 1990 average real earnings of the workers in work went up, with the exception of 1985, in which year there was no change: a total rise between 1979 and 1990 of 40%. It is important to notice this because, as Marx showed, crises are not caused by wages falling or “*being too low*”.

Output per worker employed did rise, a total increase between 1979 and 1990 of 19 per cent, or 1 ½% a year; slightly more than in previous periods but hardly deserving of the designation “*frenzied activity*”.

Because the workers’ output per head increased, the writer of the article in the socialist standard jumps to the conclusion that exploitation of the workers also increased. It does not follow. What counts is whether the workers get

a larger or smaller proportion of the product.

For this we can look at the official figures for “*Income from employment*” based on the number of workers in employment and its relationship to total production (Total Domestic Income).

The working class get rather larger share than they did fifty or a hundred years ago and the percentages now vary moderately up and down according to changes in average wages and the number of workers in employment.

In the years 1979 to 1991 the range has been between a low point of 61.1% and a high point of 66.9%. in 1979 the workers share was 64.35 and in 1991, 66.4%.

It is interesting to see how events leading up to the present recession bear up to Marx’s answer to people who, in his day, argued that crises happen because the workers get too small a share of their product: “*and the evil would be remedies by giving them a larger share of it, or raising wages*”.

In reply Marx pointed out that “*crises are precisely always preceded by a period in which wages rise generally and the working class get a larger share of the annual product intended for consumption*” (CAPITAL VOL II Page 476 Kerr edition).

Marx was correct in his view.

In the years 1988, 1989 and 1990 average real earnings of the workers rose by about 10 per cent and “*Income from Employment*”, covering the whole of the workers in work, went up as a percentage of the total national income.

1988.....	63.1%
1989.....	63.8%
1990.....	64.9%

Also, between 1988 and 19900 the number of workers in work increased and unemployment went down.

Through the article refers to Marx it says nothing about the above and in general its explanation of crises and depressions is not Marx’s. For further information readers are referred to our in our pamphlet “UNEMPLOYMENT AND RECESSION”.

Before leaving the article in the SOCIALIST STANDARD the graph which heads it, curved in a sort of switchback shape, arouses curiosity. What it is meant to convey is not explained, nor is the significance of the four observations with which it is decorated. There are two “*crises and panic danger*”, one at 1920 and the other at 1975; and two “*acute crises and panic danger*” at 1930 and 1990. Do they mean that Capitalism was in danger of being got rid of on these four occasions? We wonder why? There is nothing in the article or in the facts of the situation to justify such an assessment.

## Reply to Correspondence

### Letter From L. Otter

Anarchists (consistent or otherwise) do not argue that: “*the State is the source of all the problems of the working class*”, but we take (more consistently than did Marx) the literal conclusion of the dicta: “*the state is the executive committee of the ruling class*”; “*the state represents the class divisions within a society*”; “*without such divisions it could not exist*”.

If it is possible for a “*socialist state*” to exist (whether or not it is destined to wither away in the fullness of time), after all in the long run we are all dead, then such a state reflects the class divisions within that society and is the executive committee of its ruling class.

Taking control of the organizations which exist for the sole purpose of maintaining capitalist power, involves maintaining a class divided society. The SPGB (reconstituted) representatives, who enter Parliament (assuming that they do) cannot there do anything but maintain and continue the existence of class society.

## Reply

We assume that your letter refers to the article “*The Anarcho-Socialist Party*” (SOCIALIST STUDIES No 5.), although four of the quotations you give do not appear in the text. For example, the words “*socialist state*” do not appear anywhere in the article. The sentence to which you object would seem to be: “*Anarchists, at least those who are consistent, hold the view that the state is the source of all the problems of the working class and that the entire system of capitalist exploitation exists because of the state*”. It is not clear whether you deny the first part of the sentence and accept the second part or whether you deny both. The sentence must be considered as a whole.

Bakunin in his essay “THE REVOLUTIONARY CATECHISM” said: “*Abolition, dissolution and moral, political and economic dismantling of the all pervasive regimented centralised state, the alter ego of the Church and as such the permanent cause of the enslavement of the multitude*” (Condition E).

Murray Bookchin the American anarchist regards Bakunin, together with Proudhon and Kropotkin as outstanding anarchist radical theorists. In his book ECOLOGY OF FREEDOM, Bookchin says: “*just as the emergence of private property became “society’s original sin” in Marxist orthodoxy, so the emergence of the State became society’s original sin in anarchist orthodoxy*”. And, further: “*Likewise orthodox anarchist placed most of their emphasis on the State as the ubiquitous source of social coercion*” (page 2). This is the anarchist position on the state.

You claim that a Socialist majority in Parliament will be unable to carry out its mandate to abolish class society because of the existence of the state and the possibility that state intervention could set aside the expressed wishes of the Socialist population. Firstly, the machinery of government is the servant of Parliament; its strength, organisation and resources are provided and strictly controlled by Parliament. The state and its machinery cannot exist independently from the rest of Society and it cannot perpetuate its own existence. The machinery of government will be used by a Socialist Parliament as an agent of emancipation during the course of the revolutionary period for a variety of purposes. For example, the orderly dispossession of the capitalist class, the prevention of anti-social actions or direct action by minorities or certain groups, the protection of public property, national and local, and the maintenance of supplies and communications. The point is that Socialism cannot be established without the use of the machinery of government.

What anarchists have to show is that the State machinery cannot be used for a revolutionary purpose. It seems to us that the anarchist view of the state is based on a religious concept which endows this practical social institution with supernatural qualities, such as to place it outside of the control of society.

## Correction

In SOCIALIST STUDIES NO. 6 the article “*Political Action and the Machinery of Government*”, a reference was made to “*Anarchists like Bukharin...*” This should have been “*Anarchists like Bakunin...*”

# Notes On Riches and Poverty

(With particular reference to the article: “*The Rich get richer*” in the SOCIALIST STANDARD, June 1992).

The article in the June SOCIALIST STANDARD, the journal of the Clapham based Socialist Party, written by Mr A. L. Buick, deals with the ownership of accumulated wealth. It reaches this conclusion:-

*“So the conclusion can only be reached that the so-called decline of the rich this century is a statistical illusion. Their share has only fallen...because the non-rich came to acquire more wealth. But the acquisition of wealth by the non-rich made no difference whatsoever to the position of the rich. They continued to get richer in the sense of coming to own more wealth in real terms (the only meaningful sense of the word richer. But not only this, their average holding of wealth increased in real terms than that of the non-rich. Defenders of capitalism who say the rich have not got richer are conveying misinformation”.*

Two observations on this statement at once spring to mind. The first relates to the meaning of a term. Mr. Buick says that the only meaningful sense of the word “richer” is “coming to own more wealth”. His Party does not agree with him. In their pamphlet “SOCIALISM IS A PRACTICAL ALTERNATIVE” it is stated on page 6: “*The rich get richer and the poor poorer.*”. It does not relate to: “*coming to own more wealth*” but to the division of the annual national income.

The second and more important observation is that Mr. Buick not only fails to supply evidence for his Party’s assertion that the poor get poorer, but admits it is false both in respect of ownership and in respect of the division of the annual national income.

In the statement quoted from the article he admits that “*non-rich came to acquire more wealth*”. And in a document circulated by him called “**The rich are not getting poorer**” (Sept. 1991) he made the following statement about the greater share of the national income going to the working class:

*“The facts are not at issue – the share of wages and salaries in national income has gone up over the years from 57.6 per cent over the period 1870 – 1913 to 65.49 per cent over the period 1924-1950”*

The central issue dealt with by Mr. Buick in the article concerns the relationship between the rich, the less-rich and the non-rich. Because the total “wealth” held by them is large, less large and very small, an increase of say 5 per cent all round would represent in real terms a very large amount, a less large amount and a very small amount. Quite a valid point. But Mr. Buick fails to notice that it is just as true in reverse. When the rich have to pay inheritance tax the amount paid by them is larger than the amount paid by the less rich. The non-rich pay nothing at all.

Mr. Buick seems to believe that nobody pays inheritance tax because all those liable to it manage to avoid it. The amount actually collected as inheritance tax in 1991 was £1,263 millions; (it compares with £1,260 millions motor car tax and £1,729 millions customs duties).

The same kind of contrast between the losses suffered by the rich and by the less rich applies to Income Tax. At 1992/93 rates incomes over £23,700 (after deduction of allowances) pay 40% tax, while smaller incomes pay 25 or 20% or nothing at all.

It is true that annual incomes are not themselves accumulated wealth but they are the source from which the capitalists are able or unable to add to their possessions. The profits received by the capitalists from their invested capital are as vital to them as are wages and salaries to the working class.

For which reason it is important to look at the composition of the estimates of “*personal wealth*” on which Mr. Buick bases his conclusions. Mr. Buick treats them as if they were wholly made up of invested capital yielding profits to their owners. But to an increasing extent in recent years they consist of “*dwellings*” which are largely owner-occupied houses and what are called “*consumer durables*”, that is, furniture, pictures, cars, yachts and so on. These are not sources of profit for the owners but causes of expenditure; they cost money to maintain, insure or eventually

replace. In 1987 these items accounted for 42 per cent of the total net wealth.

As regards the belief of the Socialist Party that the rich always gets richer and the poor poorer not what happened to wages and profits in the years of Tory government which began in 1979. After taking out the rise of prices the official figures show that between 1978 to 1991 income from employment went up by 26 per cent, the income of the self-employed by 57 per cent and the gross trading profits of companies by only 5 per cent. The rise in the income of the self-employed was mostly due to the big increase in their number. Nearly two thirds of the self-employed do not employ anybody so the income of these is the equivalent of wages and salaries. They work but not directly for an employer.

The above figures relate to totals; total income from employment and total profits. The increase in income from employment was wholly accounted for, not by an increase in the number of employed (there was a small decrease) but by the increase in average real wages. In spite of the continued appeals by Ministers to the Unions not to seek large wage increases and to the employers not to pay them, average weekly earnings went up by more than prices in every year from 1979 to 1991.

There are two ways in which a class can improve its position. One is by gaining a larger share of total national income at the expense of the other class or classes. The second is made possible by long continued growth of national income. Comparing the present with the position in Marx's day; the capitalist class, the working class and the self-employed are all much better off. The working class, largely due to the growth of trade unions, have gained in both ways.

That does not mean that all individuals have gained. There are individual capitalists forced down into the working class and some workers who have been able to rise into the capitalist class. Also, right at the bottom of the social scale are unskilled, unorganised workers, many suffering from impaired health who may have become worse off whilst most workers are better off.

A factor Mr. Buick has not taken into account when comparing the position of workers with that of the capitalists is that some of the expenditures that workers at the beginning of the century had to meet out of their wages, i.e. to provide for unemployment, sickness and age-retirement, are now provided partly or wholly outside the payment of National Insurance contributions by the workers. This forms a supplement to workers' income from wages and salaries.

A word of warning about the future. During this century workers in Britain have fared fairly well compared with the conditions that existed in earlier years, but there is no certainty that it will continue on these lines. Owing to world conditions national income may cease to rise and all the workers share in it may fall.

But even under favourable conditions there is no future in this for the working class under capitalism. Workers' jobs, wages and any small property they may acquire are always vulnerable. In a prolonged depression wages can fall and what savings workers have made can disappear.

The only way of escaping from capitalism for the working class is that advocated by the Socialist Party of Great Britain. It requires that politically organised socialists use the vote to obtain control of the machinery of government, national and local, including the armed forces in order to dispossess the capitalist class and clear the way for the establishment of Socialism.

## **Criticism From a Follower of Major Douglas**

Thank you for your two pamphlets received last week. I would like to draw your attention to a crass error in *Inflation: Its Cause and Effects*. You refer to the so-called mystical school of banking which subscribes to the "nonsense" belief that wealth is created out of thin air by the stroke of a pen. Wealth is not, money is. You say the

banks do not create anything and that bank deposits are merely a record of what they owe their depositors. This is absolute rubbish.

There is a simple mathematical proof of this given by Douglas in both **Social Credit** and **The Monopoly of Credit**. I am citing here from **Social Credit** (Fifth and Douglas Centenary Edition), Institute of Economic Democracy, Canada, 1979). This proof appears on p. 87.

Assuming Capital to be fixed and differentiating with respect to time we have:

$$dL/dt + dC/dt = dD/dt$$

which means of course that the rate of increase or decrease of loans is equal to the rate of increase or decrease of deposits.

Banks create credit out of nothing and lend, or more accurately sell it to the rest of us; the government, the business community, individuals. It is important that you understand this, that all of us do. Only the state should have the right to create credit.

You say also that inflation is popular in business circles, a quote you attribute to a Treasury Official in 1923. That may be what he sincerely believed, but ask any businessman if he likes inflation and he will tell you something entirely different.

The real enemy of the people is the corrupt financial system. Once we sweep that aside it will not matter one whit whether we live under capitalism or socialism. You also publish a pamphlet on unemployment and recessions. Why do you believe in such a thing as unemployment? There are no unemployed, what they are millions of people without a decent livelihood. As automation increases, fewer and fewer people will need to work fewer and fewer hours. What we need is not make-work schemes to keep the peasants in line by punishment and reward but a financial system which distributes purchasing power adequately and equitably.

I would strongly suggest you look into the whole subject of credit creation as you have been sorely misled. Attack the financial system, not the “bosses”.

Yours truly,

A. Baron

## Reply

The point at issue is whether, as we say, bank deposits are sums of money deposited in banks, i.e. lent to the banks by depositors or whether, as you say, deposits are “*created*” by the banks by their actions in lending money to borrowers.

In support of your version you quote from a book by the late Major Douglas a formula which you say is a “*mathematical proof*” of the Douglas theory. It does not prove anything. All it says, to quote your own words, is that: “*the rate of increase or decrease of loans is equal to the rate of increase or decrease of deposits*”. Subject to one qualification we agree with it as a statement of what has happened during the half century of inflation enormously. People have therefore been able to deposit much bigger sums of money in the Banks, enabling the banks to lend much bigger sums of money to borrowers.

Our qualification is that when Douglas made that statement it was customary for the banks to retain ten per cent of deposits as a cash reserve in their tills so they could lend only up to ninety per cent of deposits. Now the cash reserve is under one per cent so loans have increased to a greater degree than deposits.

Among the people we mention who rejected the Douglas “*creation*” theory were Karl Marx, Professor Cannan and



Walter Leaf, Chairman of Westminster Bank:-

Leaf wrote this:-

*“If anyone in the deposit banking system can be called a “creator of credit” it is the depositor: for the bank are strictly limited in their lending operations by the amount which depositors think fit to leave with them”.*

Other bankers who publicly declared their agreement with the account given by Walter Leaf were W. W. Paine, a director of Lloyds Bank (letter to the DAILY MAIL 5th December 1933); F. L. Bland, a director of Barclays (THE TIMES 15th November 1934); E. B. Orme, Chairman of Martins Bank (TIMES 23rd January 1935); and Sir John Grice, Chairman of the National Bank of Australasia (TIMES 30th June 1931).

Mr Jackson Dodds, General Manager of the Bank of Montreal made this apt comment:-

*“Banks are given well-defined powers under the bank Act, but the power to create something out of nothing is not one of them”* (BANKING AND CURRENCY by Jackson Dodds, page 12).

The Douglas argument was that there is an overall shortage of purchasing power which he proposed to make up by the government distributing a *“national dividend”* to everybody. He gave an example. If some article was priced at £100 the purchasers would only pay £75. The manufacturer would get the other £25 from the Treasury i.e. the government, which would *“create it”*.

Actually in the last half century the government, through the Bank of England, has increased the amount of notes and coin in circulation from under £500 million to £16,000 million and all it has done is to make average prices thirty times what they were in 1938.

It is only necessary to look at statements made by Douglas to see that he had no understanding of capitalism.

In the evidence he gave in 1930 to the MacMillan Committee he said that: *“with negligible exceptions, power to buy originates with and is vested in the banking system”* and as a result: *“the greater proportion of the larger industrial undertakings have passed...into the control of banks and finance houses”*.

Another statement Douglas made was that the banks: *“are the potential or actual owners of everything produced in the world”* (NEW ENGLISH WEEKLY, 11 May 1933).

Also in evidence to the MacMillan Committee in 1930, Douglas argued that the greater *“industrial prosperity”* in America than in Britain supported his case. It was, he said due to the fact that the American banks lent *“more freely”*. In 1929 unemployment in the U.S.A. was a mere 3.2 per cent as against 10.4 per cent in Britain. What Douglas had not realised was that America was already plunging into deep recession along with Britain. American unemployment jumped to 8.9 per cent in 1930, 16.3 per cent in 1931, 24.6 per cent in 1932 and 25.2 per cent in 1933. and by March 1933: *“two thirds of the banks of the country had closed down” –gone bankrupt* (THE AMERICAN UNION by G.H.G. Nicholas Pelican Books 1950 page 252).

And according to the Douglas theory all those banks need have done to save themselves was to *“create”* a lot more deposits by making big loans to borrowers.

You may be right in dissenting from the opinion of Sir Charles Hawtrey in 1923 that the businessmen like inflation. According to you all businessmen object to it. If you are correct, however, it would indicate that Labour and Tory governments have, for half a century, taken no notice of what businessmen want.

You said that *“as automation increases, fewer and fewer people will need to work fewer and fewer hours”*. Major Douglas was using the same argument before automation had been heard of; then he used to talk about *“machinery”* which was, he said, fast reducing the number of workers in jobs. One of his followers told the Labour Party it would have to change its name because soon there would be no *“labourers”*, they would nearly all be on the dole queues.

What they all overlooked was that workers are needed to produce and operate the machinery and their net increase in output per worker is quite small (recently it has been increasing at 1 ½ % a year). Also the more or less continuous increase in real wages adds to working class purchasing power. So the number of workers in work has not decreased. In 1900 it was 17, 290, 000 rising to 20, 620,000 in 1938 and to 22, 881, 000 in 1990.

In conclusion you urge us to look into “*the whole subject of credit creation*” because you believe, as did Major Douglas, that his scheme would lead to a very big increase in production, to the benefit of all.

Society does indeed need a great increase in the production of socially useful goods and services but capitalism, with its waste, war, depressions etc, is incapable of yielding that outcome no matter what kind of “*finance*” policy is applied. Capitalism, having greatly expanded powers of production, now prevents them from being used to the full. It has, as Marx had said, become a fetter on production. The only solution is to replace capitalism with Socialism.

You make the statement that the Douglas scheme could be applied to capitalism or to socialism. It is evident that you have not understood what our Socialist objective is. As it will mean production solely and directly for consumption, with no buying and selling, it will not have a place for any financial system, Douglasite or not.

[Back to top](#)

## The Question of Leadership

In the GUARDIAN newspaper (28 August 1982) the editorial reflected on the current split in the Green Party. Part of the problem, the editorial thought, was the membership’s “*incoherence and self-indulgence*” which stemmed from its rejection of leadership. They did not want the personality cult which went with the office of leader. Apparently this intransigence did not suit the “*British political System or the demands of the media*”. In an attempt to compromise the Green Party it highlighted the personalities of two people, Jonathan Porritt and Sara Parkin but instead found themselves associated by the media with David Icke who proclaimed himself God’s messenger. The green party will not be the first or the last political Party who has God as its leader.

Unlike the green party and other groups who wish to pursue “*issues*” rather than the class struggle, Socialists do not want to accommodate themselves to the British political system. We want workers to learn to think for themselves, to understand that capitalism cannot be run in their interests and the problems they face as a class can only be solved with the establishment of Socialism.

The British political system is useful to socialists only in so far as it enables a socialist majority to send socialist delegates to Parliament to gain control of the machinery of Government and to abolish private property and the wages system. For the media, their initial function, once the Socialist Movement begins to grow, will be to look for weak areas to exploit, to personalise or ridicule socialists’ ideas and generally distort what we try to say until such time when Socialists win what Marx called the “*Battle of Democracy*”. At this point what remains of the media defending the Capitalist system will be insignificant compared to how Socialists will then be using the media for their own political purposes. To still defend political ideas like leadership when Socialist ideas prevail and take hold in a major way, will be like the 17th century defenders of the Monarchy still proclaiming the *Divine Right of Kings* as the head of Charles the first falls into the basket.

Socialist opposition to any form of leadership, political, intellectual or organisational goes back to Marx and Engels. In the COMMUNIST MANIFESTO they made the important observation about the working class:

*“All previous historical movements were the movement of minorities, or in the interest of minorities. The proletariat movement is the self-conscious, independent movement of the immense majority in the interests of the immense majority”.*

*“As for ourselves, in view of our past, there is only one road open to us. For almost forty years we have emphasised the Class Struggle as the immediate driving power of society, and in particular that the class struggle between the*

*bourgeoisie and the proletariat is the great lever of the modern revolution; we, therefore, cannot possibly co-operate with people who wish to expunge the class struggle from the movement. When the International was formed we expressly formulated the battle-cry: The emancipation of the working class must be achieved by the working class itself. We cannot therefore co-operate with people who openly state that the workers are too uneducated to emancipate themselves...”*

This statement finds an echo some twenty five years later in the publication of the OBJECT AND DECLARATION OF PRINCIPLES by the Socialist Party of Great Britain. In considering the working-class as the last class in social evolution to achieve freedom they conclude in the important fifth clause:

*“that this emancipation must be the work of the working class itself”.*

The revolutionary idea that workers need no leaders to free themselves from Capital should not be underestimated. Up to the time of Marx it was inconceivable that workers could politically think for themselves. They appeared, for example, in early novels as “*the masses*” or “*the mob*” easily led by self-interested demagogues as in Disraeli’s novel, Sybil (1845). Dickens, too, portrayed workers as easily led and somewhat simple. What these writers did not appreciate, which Marx did, was the way in which the conditions of capitalism forced individual workers to organise into groups, into trade unions and into political parties, to develop and mature as a result of the class struggle. At the same time workers socially evolved within commodity production to run capitalism itself, albeit in the interests of another class. Marx and Engels provided invaluable theoretical knowledge about capitalism, but unlike Lenin and his present day followers in the Universities and left-wing political parties, they were not so arrogant to believe they would lead workers anywhere.

The reason is simple. If workers are to free themselves from the exploitation, poverty and discomfort of capitalism, they must do so consciously. However a conscious understanding cannot be imposed. Instead workers must freely come to understand their class position. Workers must understand that although they produce all social wealth they will only ever receive in wages and salaries sufficient to reproduce themselves and their families as a subject class with needs unmet and potential creativity unrealised. And they must understand too that their separation from the means of production derives from the existence of Private Property protected by the machinery of government. Such an understanding can be demonstrated in argument but cannot be forced upon them. It is only on the understanding of these facts and acceptance of their class situation that workers must freely conclude that problems of war, unemployment and social discomfort can be solved politically only by pushing the class struggle to its final limit within a socialist political party having a practical socialist programme to realise its socialist objective.

The prevention of leadership and the development of the worker to take decisions and participate as an equal with no person above or below them is a characteristic of a socialist party. This fact can be seen in the democratic procedures of the Socialist Party of Great Britain. The membership has complete control over the actions of its delegated officers and committee; over the exercise of its rules and standing orders and equally important over the production and development of socialist theory within the framework of its OBJECT AND DECLARATION OF PRINCIPLES. This ensures that the SPGB reflects the society it wishes to establish. However, at the same time, it is important to remember that a leaderless party is as only as good and effective as its membership allows, which places a responsibility upon socialists within the organisation to remain aware of what is going on and to participate in its affairs.

As for Socialist society, men and women will be involved in the decision-making process at local, regional and global levels. They will be presented with the fullest information through communication systems commonly owned and democratically controlled. Some have said this will be slow. But what will be the hurry? The pace of capitalism is dictated by the pressures of competition and the need to make profits often resulting in waste, accidents and error. Socialism will allow deliberation, the space and time to think through what needs to be decided upon and the possible implications and the weighing up of alternative courses of action. It can be no other way. In Socialism the only concerns will be social ones and it will be about these concerns that democratic decisions will be made, agreed upon and carried through in practice by all of society.

[Back to top](#)

# Anarchists in Bad Health

In his pamphlet “VOTE FOR WHAT?” the writer and Syndicalist, Robert Lynn, criticises the Clapham based Socialist Party for being “*Anarchists in bad health*”.

To justify this claim he cites the June 1990 SOCIALIST STANDARD, the official journal of the Socialist party, in which the editorial comes out in favour of Direct Action. The editorial “*After Tiananmen*” read and approved by the Editorial Committee of the Socialist Party declared that actions by non-socialist workers in taking to the streets in Leipzig or in Bucharest had shown:

*“...the power which arises from peaceful, democratic, organised action by workers who will no longer tolerate the conditions under which they are living. No doubt the first workers on to the street of Leipzig or Bucharest were called utopians by some doubters –surely they did not really imagine that they, mere unarmed civilians, could defeat the might of the militarised state-capitalist regime. But they did. History once again proved the cynics and doubters to be wrong”* (Page 83).

The writer does not tell us why this action was democratic or through what political agency workers this action took place. Nor does the writer tell us why workers in these countries still remain class bound and dependent on wages or salaries for a living. After all, if the “*militarised state capitalist regime*” had been defeated by the workers but they still remain a subject and exploited class the important question of why and how workers subsequently lost control should be answered. It is doubtful, though, if we will ever be told since such superficial and ambiguous writing with no clear Marxian analysis or conclusion of the events is consistent with the Socialist Party’s uncritical approach to changes in Eastern Europe. They will say anything to make themselves “*be part of history*” or academically fashionable even in the process it makes them rather ridiculous and open to the charge made against them by Mr Lynn. In the early 1980’s, for example, they gave “*admiration and support*” to solidarity who then went on to form a Government and administer Polish capitalism.

In many respects we understand Mr Lynn’s confusion. As he rightly remarks this departure in the SOCIALIST STANDARD is ironic because the Socialist Party of Great Britain (SPGB) has always argued that it is suicidal for workers to confront the armed forces of the State, controlled as they are by those who hold the machinery of government. In his observation about the SPGB’s position on Parliament and the need to gain control of the machinery of government, Mr Lynn is correct. In two important passages in “SOCIALIST PRINCIPLES EXPLAINED”, in the section “*Clause 6: The Parliamentary Road*”, the SPGB states:

*“a working class that produces but does not possess is made possible by capitalist control of the machinery of government including the armed forces”* (Page 19).

And

*“The political organisation required to achieve Socialism must be made up of people who understand thoroughly the object for which they are organising and what Socialism means”* (Page 19).

Whilst in the chapter Parliament in “QUESTIONS OF THE DAY”, the SPGB concludes:

*“...Parliament has complete and secure grip upon the armed forces...it is necessary for the workers to obtain control of Parliament before attempting to uproot existing foundations of society...the only way to obtain control is by sending socialist delegates to Parliament”* (Page 13).

This is the current position of the SPGB reconstituted in June 1991 a position it traces back to its formation, where, in a statement in the SOCIALIST STANDARD for September 1904 of the old SPGB, several references are made for the need to gain control of parliament and local councils and where, for example, one article highlights the importance of:

*...the members of the working class using their political power to return to Parliament and other public bodies only those who are members of the Socialist Party”.*

Unfortunately

*“Marx was right in drawing up a family tree of human social arrangements but he did not realise that capitalism was a dead branch, that it could not grow into anything and that the fruit could only be rotten” (COMMON OWNERSHIP pp 10-11).*

Which is in contradistinction to the position of Marx and the SPGB:

*“...not only has the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield these weapons...the modern working class –the proletarians (THE COMMUNIST MANIFESTO (SPGB pamphlet p.66 1948).*

Some dead branch and some rotten fruit!

And as for the Syndicalist proposal Mr Lynn, the SPGB finds this impractical and politically dangerous for the working class to entertain. The “*Social General Strike*” which is the inappropriate name Mr. Lynn gives to a spontaneous outburst of direct action is seen by Mr Lynn as the means by which the working class will free themselves from Capital. His belief rests on the supposition that by taking over factories and federating up from the districts through to National and international levels, capitalism can be abolished and power in society pass to the Syndicates.

Our opposition to the “*Social General Strike*” begins from historical experience. Mr Lynn cites in his favour many historical precedents; the 1920 Italian metal workers strike, the General strike in France in 1936 and the Spanish collectives during the civil war of 1936-39. Yet they all either collapsed or were crushed by the State. They did not come anywhere near ending capitalism whilst those taking part, like the workers who took to the streets in Leipzig or in Bucharest, were not class conscious socialists but a collection of workers adhering to a wide range of prejudices and beliefs.

A “*Social General Strike*” would also lead to confusion. In an integrated society how could the machinery of government be isolated or targeted by industrial action in order to make it ineffective without disrupting production and distribution for the rest of society? Well-trained and armed troops and police would just seize what they needed. And why would a non-socialist working class who had just shown their political immaturity by voting back into power a capitalist administration support a “*Social General Strike*”? We can also ask how the Syndicalists would gauge class consciousness or deal with those workers who refuse to Syndicate because they realise its futility? It is also conceivable that the strike would collapse after a few weeks due to the hardship factor if the machinery of government, still in the service of the capitalist class, paralyses production and administration systems or forms a barrier between the factories and the points of distribution?

The SPGB takes an altogether different view to the question of political action based upon practical considerations. Unlike the Syndicalist our proposition to workers for establishing Socialism has not failed. As far as we are concerned there has not yet been a parliamentary test of power of socialist delegates sent to Parliament through the votes of a democratic socialist majority knowing why they want to establish socialism and how to get it. Socialism will not be possible until workers understand and accept the necessity for its creation and are prepared to vote for it through the ballot and Parliament.

Therefore, to answer Mr Lynn’s rhetorical question; “*Vote: what For?*”, the answer we give to workers is to reject the “*Social General Strike*” and any other form of direct action, organise within the SPGB and vote for the socialist objective of a society based upon the common ownership and democratic control of the means of production and distribution.

## **Engels on Scientific Socialism**

*...all past history (with the exception of the primitive stages) was the history of class struggles; that these warring classes of society are always the products of the modes of production and exchange – in a word, of the economic conditions of their time; that the economic structure of society always furnishes the real basis, starting from which we can alone work out the ultimate explanation of the whole superstructure of juridical and political institutions as well as of the religious, philosophical and other ideas of a given historical period.*

*Socialism ... (itself)... (was)...the necessary outcome of the struggle between two historically developed classes – the proletariat and the bourgeoisie. Its task was no longer to manufacture a system of society as perfect as possible, but to examine the historico-economic succession of events from which these classes and their antagonism had of necessity sprung and to discover in the economic conditions this created the means of ending this conflict.*

*...it was necessary (1) to present the capitalist method of production in its historical connection and its inevitability during a particular historical period, and therefore also to present its inevitable downfall, and (2) to lay bare its essential character which was still a secret... This was done by the discovery of surplus value. It was shown that the appropriation of unpaid labour is the basis of the capitalist mode of production and of the exploitation of the worker that occurs under it; that even if the capitalist buys the labour power of his labourer at its full value as a commodity on the market, he yet extracts more value from it than he paid for it; and that in the ultimate analysis this surplus value forms those sums of value from which are heaped up the constantly increasing masses of capital in the hands of the possessing classes. The genesis of capitalist production and the production of capital were both explained.*

*These two great discoveries, the materialist conception of history and the revelation of the secret of capitalistic production through surplus value, we owe to Marx. With these discoveries Socialism became a science”.*

(ANTI-DUHRING Pages 37-39 Moscow Edition 1978).

[Back to top](#)

# Object and Declaration of Principles

## Object

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

## Declaration of Principles

THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (ie land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce and those who produce but do not possess.
3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into common property of society of the means of production and distribution, and their democratic control by the whole people.

4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

[Back to top](#)

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